

Message Text

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PAGE 01 PARIS 25359 120634Z
ACTION EUR-12

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USOECD

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E.O. 11652: N/A
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SUBJECT: PROGRAM OF STEPPED-UP INVESTMENT IN DEVELOP-
ING COUNTRIES

REF: A. PARIS 23799, B. CE(78)11/DAC(78)21

1. MISSION HAS REVIEWED SECRETARIAT'S NEW PAPER
(REF B) ON STEPPED UP INVESTMENT PROGRAM, WHICH, AS
NOTED REF A, IS LIKELY TO BE DISCUSSED AT DAC PLENARY
OCT 4-5 AND XCSS OCT 23-24 (WITH SUBSTANCE BEING
DISCUSSED AT IMF/IBRD DEVELOPMENT COMMITTEE IN SEPTEMBER
AS WELL). OUR CONCLUSION IS THAT ALTHOUGH PAPER IS
WEAK IN A NUMBER OF AREAS, SECRETARIAT HAS PRODUCED --
IN SECTIONS ON "SUGGESTIONS FOR ACTION" AND "NEXT STEPS"
-- AN AGENDA FOR STUDY AND POSSIBLE IMPLEMENTATION
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WHICH IS ON THE WHOLE A USEFUL ONE. WE WOULD SUGGEST
WASHINGTON AGENCIES CONCENTRATE ON EVALUATING THIS PART
OF PAPER TO SEE THE EXTENT TO WHICH IT COULD FORM BASIS
FOR FOLLOW-UP BY OECD COUNTRIES TO SUMMIT COMMITMENT TO
ENCOURAGE USE OF CO-FINANCING.

2. ONE OF WEAKEST POINTS IN PAPER IS ITS DEVELOPMENT OF

RATIONALE FOR SECTORAL FOCUS, AND THE SELECTION OF ENERGY, FOOD, AND RAW MATERIALS SECTORS. THIS WOULD SEEM TO NEED CONSIDERABLE STRENGTHENING IN TERMS OF SHOWING HOW INCREASED CO-FINANCING CAN HELP OVERCOME OBSTACLES TO EXPANDED INVESTMENT IN THESE SECTORS AND MORE PRACTICAL ILLUSTRATIONS OF WHAT MIGHT ACTUALLY BE ACCOMPLISHED. WE ARE PARTICULARLY SKEPTICAL THAT LARGE ROLE EXISTS FOR CO-FINANCING IN INCREASING AGRICULTURE PRODUCTION. ANOTHER AREA WHERE PAPER COULD WELL BE STRENGTHENED IS THE TREATMENT OF PRIVATE EQUITY INVESTMENT (AS DISTINCT FROM PRIVATE SECTOR LENDING) AND THE RELATED SUBJECT OF INVESTMENT CLIMATE, NOW TOUCHED UPON ONLY VERY LIGHTLY IN PARA 73(C). AS IT STANDS, PAPER IS FOCUSSED MAINLY ON HOW SCARCE PUBLIC MONEY FOR PROJECT FINANCING CAN BE MADE TO DO DOUBLE DUTY IN ASSOCIATION WITH PRIVATE LENDING, RATHER THAN ON HOW INVESTMENT AS A WHOLE CAN BE INCREASED. IN CASE OF OPEC, OF COURSE, ONE MIGHT HOPE TO USE CO-FINANCING TECHNIQUE AS MEANS FOR ACHIEVING SIGNIFICANT INCREASES IN PUBLIC FLOWS.

3. WITH RESPECT TO THE "SUGGESTIONS FOR ACTION" THEMSELVES, THERE ARE SOME IDEAS WHICH WE HAVE THE FEELING HAVE ALREADY BEEN EXAMINED INTENSIVELY AND FOUND OF LIMITED ATTRACTIVENESS. BUT, WITH PERHAPS SOME GREATER FOCUS AND ELABORATION OF THE CO-FINANCING ASPECTS IN LIMITED OFFICIAL USE

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PARTICULAR, THIS WOULD SEEM TO REPRESENT A GOOD STARTING POINT FOR MEMBER GOVERNMENT CONSIDERATIONS.
KATZ

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